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No. 04-31

IN THE

Supreme Court of the United States

HOMAN MCFARLING,

Petitioner,

v.

MONSANTO COMPANY,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

SUPPLEMENTAL BRIEF FOR RESPONDENT

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Petitioner argues in his Supplemental Brief (filed May 23, 2005) that this Court should grant certiorari, vacate the decision of the Federal Circuit, and remand the case for further proceedings. According to petitioner, the Federal Circuit's opinion in this case has been undermined by respondent Monsanto's decision, in conjunction with the recent damages trial in the district court, to limit its damages proof to the '605 patent infringement claim and therefore to dismiss its infringement claim based on the '435 patent and its breach of contract claim based on the license agreement between the parties. This Court should reject that argument.

1. Petitioner does not argue that this case has become moot because of Monsanto's dismissal of its infringement claim under the '435 patent and its breach of contract claim, nor could he. Monsanto continues to pursue its remaining infringement claim based on the '605 patent against peti-

tioner in the lower courts. Petitioner, in turn, raised a defense of patent misuse against that infringement claim based on his current arguments that Monsanto has engaged in tying arrangements, and grounded his antitrust counterclaim against Monsanto based on the same arguments. Petitioner's petition for certiorari seeks revival of that defense and counterclaim, which were rejected by both lower courts. Absent resolution of those issues in the lower courts, Monsanto's '605 patent infringement claim could not have reached the damages phase of the case. Hence, as the Solicitor General points out (U.S. Br. 8-10), and as petitioner concedes in his reply to the Solicitor General's brief (at 1-2), there is very much a live dispute remaining between the parties.

Moreover, a remand for further proceedings would serve no purpose in this case, because there is no basis for believing that the Federal Circuit would resolve those issues differently now merely because Monsanto has dismissed its claims under the '435 patent and the license agreement. The Federal Circuit's decision was not tied to the merits of any one of Monsanto's affirmative infringement and contract claims against petitioner. Rather, as pertinent here, the Federal Circuit affirmed the district court's grant of summary judgment to Monsanto on petitioner's defenses of patent misuse and antitrust counterclaims (which, in effect, incorporate the substance of petitioner's patent misuse defenses, but also affirmatively seek monetary relief). *See* Pet. App. 2. Those defenses and counterclaims are not limited to meeting Monsanto's claims under the '435 patent and the license agreement. The Federal Circuit's ruling clearly applies with equal force to the '605 patent, which is still very much a live issue in this case. Under these circumstances, the Court should deny certiorari for the reasons stated in Monsanto's original brief in opposition and confirmed by the Solicitor General's recommendation that the Court deny certiorari.

2. After the district court's decision granting Monsanto a preliminary injunction was affirmed on appeal, *see*

Monsanto Co. v. *McFarling*, 302 F.3d 1291 (Fed. Cir. 2002) ("*McFarling I*"), *cert. denied*, 537 U.S. 1232 (2003), "Monsanto moved for summary judgment on the infringement claim under the '605 patent, the breach of the license agreement claim, and all of McFarling's affirmative defenses," including, *inter alia*, counterclaims alleging monopolization, restraint of trade, and patent misuse. Pet. App. 6. Petitioner's defenses and counterclaims were not directed at only one patent or claim. Instead, petitioner asserted patent misuse as a defense to all of Monsanto's claims for relief, including both patent infringement claims, and his antitrust counterclaims were freestanding claims directed at Monsanto's licensing practices in general.

The district court granted summary judgment to Monsanto on all of petitioner's defenses and counterclaims, as well as on Monsanto's claim for breach of the license agreement and (as to liability only) Monsanto's claim for infringement of the '605 patent. Pet. App. 6. The district court then certified as final under Federal Rule of Civil Procedure 54(b) both its decision granting Monsanto summary judgment on its breach of contract claim (App. 1a) and its decision granting Monsanto summary judgment on petitioner's counterclaims (U.S. Br. App. 1a). Petitioner subsequently filed notices of appeal from both final judgments. App. 2a-3a. Accordingly, the Federal Circuit did not have before it merely Monsanto's claim for breach of contract. Rather, the Federal Circuit also had before it the question of the legal sufficiency of petitioner's counterclaims, including the antitrust counterclaims incorporating the elements of the patent misuse defenses, and it affirmed the district court's conclusion that those counterclaims and defenses were lacking in merit. *See* Pet. App. 2.

After the case returned to the district court for further proceedings on damages, the parties stipulated to the dismissal of Monsanto's infringement claim based on the '435 patent and the breach of contract claim. Pet. Supp. App. 1. It was unnecessary for Monsanto to pursue the '435 patent infringement claim, because the district court had already

granted summary judgment to Monsanto as to liability on its claim for infringement of the '605 patent, and the Federal Circuit had also upheld summary judgment for Monsanto on petitioner's patent misuse defense. Nothing remained to be decided on Monsanto's claim of infringement of the '605 patent, therefore, except the measure of damages. Monsanto also dismissed its contract claim because the district court had made clear that Monsanto would have to make an election of remedies as between patent and contract damages. Rather than proceed to the damages phase of the case pursuing both theories, Monsanto determined that it would be more efficient to elect patent damages under the '605 patent from the beginning.[1]

3. Contrary to petitioner's assertion, Monsanto's stipulation of dismissal neither undermines the holding or reasoning in the Federal Circuit's decision, nor provides any other ground for a grant of certiorari in this case. The Federal Circuit's decision was not dependent on a claim of infringement based on the '435 patent being in the case. Indeed, the merits of Monsanto's claim of infringement of the '435 patent were not before the Federal Circuit, and the district court had entered no ruling on the merits of Monsanto's affirmative claim of infringement of the '435 patent when the Federal Circuit issued its ruling (nor has either court below ever entered such a ruling). The only infringement claim that the district court had decided was the claim under the '605 patent, on which it granted summary judgment as to liability to Monsanto. *See* U.S. Br. 12.

The Federal Circuit ruled that summary judgment was proper on petitioner's antitrust counterclaims, including his patent misuse defenses, because, as it held, Monsanto's license restrictions on use of the second-generation seeds con-

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[1] The Federal Circuit had invalidated the liquidated damages clause in the license agreement in *McFarling II*. Pet. App. 20. Consequently, Monsanto determined that patent damages would both result in a higher measure of damages and would be easier to prove than actual contract damages.

taining Monsanto's patented chimeric gene technology are within the scope of Monsanto's patent rights. Pet. App. 11a-12a. That determination was not dependent on whether an infringement claim based on the '435 patent was in the case or not. Petitioner's patent misuse defenses and antitrust counterclaims were not limited to the '435 patent; rather, petitioner's tying argument was raised in defense against both the '435 infringement claim and the '605 infringement claim.

The Federal Circuit clearly considered and disposed of petitioner's tying argument for all purposes in this case. Indeed, it could not have affirmed summary judgment for Monsanto on petitioner's patent misuse defenses and antitrust counterclaims unless it had determined that there was no patent misuse defense to each of the patents asserted. Petitioner could have raised a defense of patent misuse as long as an infringement claim based on either of Monsanto's asserted patents remained in the case. By ruling that petitioner's tying argument lacked merit as a matter of law, the Federal Circuit necessarily ruled that petitioner had no defense of patent misuse to a claim under *either* the '435 patent *or* the '605 patent. It was precisely because the Federal Circuit had so ruled that the district court was able to proceed to a determination of damages for petitioner's infringement of the '605 patent without revisiting any defenses or counterclaims that petitioner might have previously advanced.

Given that the Federal Circuit plainly disposed of petitioner's tying-based defenses and counterclaims in their entirety, no purpose would be served by a remand to the court of appeals. Contrary to petitioner's argument, nothing in the Federal Circuit's decision on petitioner's tying argument suggests that it is limited to the '435 patent. As the Solicitor General has recognized, at bottom, petitioner's tying argument "reduces to the notion that he is entitled to purchase respondent's patented invention without also honoring limits imposed on the use of the product in which that invention finds its useful, tangible expression." U.S. Br. 16. That argument is contrary to the fundamental conception of the

patent right as a right to exclude. *See* 35 U.S.C. § 154. Petitioner's argument lacks merit whether the relevant patent is the '435 patent, now dismissed from the case, or the '605 patent, on which Monsanto's patent infringement damages claim in this case is now based. In either case, petitioner effectively wants to require Monsanto to afford him access to the invention without honoring limits that Monsanto places on the use and sale of the product "in which that invention finds its useful, tangible expression." Regardless of which Monsanto patent remains at issue, petitioner's theory is inconsistent with basic precepts of patent law.

CONCLUSION

For the reasons discussed above, the petition for writ of certiorari should be denied.

Respectfully submitted,

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